

3. DATA

3.1 Data collection

3.1.1 For the purpose of preparing this report, certain data was collected from MIGA by Medicare Australia during late 2011 including:

- details of midwives who were identified as having become eligible for the ROC Scheme under subsection 31(2) of the Act before 30 June 2011;
- details of claims (including incidents) notified to MIGA by 30 June 2011 which might eventually become eligible for reimbursement under the ROC Scheme;
- details of ROC support payments;⁴
- actuarial estimates of that part of the future claims cost of incidents projected to be notified during the 2011-12 to 2014-15 financial years which is expected to be reimbursed under the ROC Scheme; and
- actuarial estimates of that part of the future claims cost of incidents occurring during 2011-12 which is expected to be reimbursed under the ROC Scheme.

3.2 Data verification

3.2.1 The results in this report rely on information provided by MIGA and MIGA's actuaries as well as ROC support payment data and midwife eligibility data provided by Medicare Australia. Guidance was provided as to the nature of the data, calculations and information required. This information is regarded as the most suitable information available for the current purpose.

3.3 Eligible midwives

3.3.1 Midwives performing private practice become eligible for the ROC Scheme by means of permanent retirement at age 65 years or older, cessation of private practice for three years, death, permanent disability or maternity leave.

4 A database of ROC support payments is maintained by Medicare Australia.

3.3.2 Appendix 2 describes the test of eligibility for the ROC Scheme and the process of issuing and notifying compulsory run-off cover to eligible midwives. Eligible midwives are entitled to receive notification of the terms and conditions of compulsory run-off cover from MIGA. MIGA is also required to notify Medicare Australia of the details of the compulsory run-off cover provided.

3.3.3 There are inherent lags involved in notification of the details of eligible midwives to Medicare Australia. As a result, it will be possible only to estimate the number of midwives who have become eligible for the ROC Scheme at any time. For example, there will often be a delay between the time that a midwife becomes eligible for the ROC Scheme and the time when the insurer becomes aware of this. For all of these reasons, the numbers of eligible midwives reported by MIGA need to be treated with caution.

3.3.4 According to the eligibility data provided by Medicare Australia, there were no eligible midwives⁵ as at the valuation date.

3.4 Claims eligible for Run-Off Cover Commonwealth contributions

3.4.1 MIGA is entitled to reimbursement from the Australian Government for the costs of claims which:

- are first notified to MIGA on or after 1 July 2010;
- relate to an incident which occurs or occurred on or after 1 July 2010;
- relate to a midwife who is eligible under the ROC Scheme at the date of notification⁶; and
- meet the other requirements for 'payable claims'.⁷

3.4.2 As at 30 June 2011, MIGA has not identified any claim as potentially being eligible for the Scheme.

3.5 Run-Off Cover Commonwealth Contributions

3.5.1 ROC Commonwealth contributions are the payments made by the Australian Government to MIGA as reimbursement of the costs of eligible claims.

5 That is, no midwives were eligible for the Run-Off Cover component of the Scheme.

6 Refer paragraph A.2.1.

7 Refer paragraph A.3.2.

3.5.2 If a claim is eligible for Level 1 or Level 2 Commonwealth contributions, then the amount of the ROC Commonwealth contribution is reduced by the amount of the Level 1 or Level 2 Commonwealth contribution.

3.5.3 No ROC Commonwealth contributions were made during 2010-11.

3.5.4 The Commonwealth's own administration costs are funded separately and so are not considered in this report.

3.6 Run-Off Cover support payments

3.6.1 ROC support payments are paid to Medicare Australia in the form of an annual lump sum imposed as a tax on MIGA from 1 July 2010 under the ROCSPA.

3.6.2 The amount of ROC support payments is calculated using a method set out in the ROCSPA. Appendix 1 describes the calculation in detail. Very briefly, it is based on:

Applicable rate × (premium income less taxes and charges) ÷ (1 + applicable rate).

3.6.3 In 2010-11, the applicable rate was 10 per cent.

3.6.4 In total, \$7,500 ROC support payments were received during the 2010-11 financial year.

3.6.5 In order to provide full transparency for midwives, MIGA is required to attribute ROC support payments to individual policyholders. Each premium notice specifies the amount that has been included in the policyholder's invoice to meet MIGA's ROC support payment obligations. All amounts are reported to Medicare Australia, which maintains a record of each practitioner's total run-off cover credit. Interest is applied to this balance annually at the short term bond rate in accordance with section 44 of the Midwife Professional Indemnity Act.

3.6.6 Division 4 of the Midwife Professional Indemnity Act provides for certain payments, should the Scheme ever be wound up without alternative arrangements being put in place. Thus, midwives who were still practising at the time of the windup of the ROC Scheme would be entitled to have an amount not exceeding their total run-off cover credit paid to their nominated professional indemnity provider. Midwives who were eligible for the ROC Scheme at the time of its wind-up would not be entitled to any refund but would continue to be covered for any future claims that might emerge.